

How can secure occupancy in rental housing be improved in Australia?

MORE AUSTRALIANS ARE RENTING FOR LONGER PERIODS, YET DO NOT ENJOY THE BENEFITS OF SECURE OCCUPANCY. CHANGES TO IMPROVE THE SECURITY OF OCCUPANCY IN THE AUSTRALIAN PRIVATE RENTAL SYSTEM CAN BE INFORMED BY INTERNATIONAL EXPERIENCES.

KEY POINTS

- Secure occupancy is important in creating a home, regardless of tenure, and is a foundation for many aspects of wellbeing.
- The Australian private rental sector is characterised by relatively insecure occupancy compared to either social rental or home ownership. This lack of security is not intrinsic to renting per se, but reflects cultural norms which see renting as a temporary option compared to home ownership. In comparison with comparable countries, policy and legal settings for the Australian private rental market result in volatility in rental investment and weak tenant rights which do not facilitate secure occupancy.
- International experience demonstrates that it is possible to have a large private rental sector with small scale investors *and* higher levels of secure occupancy for tenants. Changes to the regulatory framework and policy settings are required to achieve this.

CONTEXT

Secure occupancy is the capacity of households to make a home and stay there for reasonable periods if they wish to do so, provided they meet their obligations. It is linked with important social outcomes including family functioning, childhood development, economic and social participation

*This bulletin is based on research conducted by **Professor Kath Hulse** at the AHURI Swinburne-Monash Research Centre, and **Associate Professor Vivienne Milligan** and **Dr Hazel Easthope** at the AHURI UNSW-UWS Research Centre. The research examined the provisions for secure occupancy across rental systems in Australia and other similarly developed countries, and considered the potential to adapt these provisions to Australia.*

and health. These are building blocks for an inclusive and cohesive society and are relevant to the Australian Government's strategy on social inclusion.

Historically, policy-makers in Australia have prioritised home ownership as the main tenure to deliver secure occupancy, while the private rental sector has served as the 'tenure of transition'. It was assumed that renters would quickly move into home ownership or, if not, would obtain these benefits from social housing.

These assumptions have been undermined by two trends. First, housing affordability problems mean that households on low to moderate incomes find it difficult to purchase a home, and longer term renting is becoming more common. Second, the social rental sector has insufficient accommodation to house many of those on low incomes.

This project explored how different types of rental systems in Australia and overseas shape secure occupancy in rental housing, and to generate new ways of thinking about policy settings to improve secure occupancy in the Australian rental sector.

RESEARCH METHOD

The research articulated a new concept of secure occupancy based on a review of relevant literature and conducted empirical research into secure occupancy in Australian rental housing—including a desk-based review of available secondary data and documents, and face-to-face interviews with key informants in New South Wales and Victoria.

It then analysed the policies and programs designed to provide secure occupancy in a range of comparable developed countries: Austria, Flanders (Belgium), Germany, Ireland, New Jersey (United States of America), Ontario (Canada), Scotland and The Netherlands. Jurisdictions were chosen to include different welfare regimes and institutional settings, rental sectors of various sizes and varying roles of rental sub sectors.

The research involved a partnership with the OTB Research Institute for the Built Environment, Delft

University of Technology, The Netherlands, as well as researchers in four other international universities.

KEY FINDINGS

Secure occupancy: what does it look like?

In Australia, secure occupancy is viewed as a 'natural' part of home ownership but not renting. Renting is often seen as a tenure characterised by insecurity, except for the small social housing sector, although the level of security offered in that tenure is changing.

Renting may not be innately insecure. This study argued that secure occupancy is linked to whether households are able to:

- Participate effectively in rental markets (market factors).
- Access and remain in adequate, affordable and appropriate housing with protection of their rights as consumers and citizens (legal provisions).
- Receive support from governments or other social service agencies if and when necessary to obtain and/or sustain a tenancy (social policy).
- Exercise a degree of control over their housing circumstances and make a home, to the extent that they wish to do so (cultural norms and attitudes).

Australia: weak outcomes for secure occupancy

Australian renters often experience low levels of secure occupancy and this is apparent across the factors outlined above. Half of all Australian renters report that they occupy their current rental property on a short-term lease (mainly six to 12 months) and 14 per cent are on periodic tenancy. Only 20 per cent of all renters say that they have 'indefinite' tenure, mainly in social housing. Fixed-term leases provide little security, and periodic tenancies allow termination without specified grounds. This leads to instability in housing and difficulty in planning

ahead. Of private renters, 37 per cent said they were likely to move in the next 12 months, but only 11 per cent said they *wanted* to move.

Evidence from Victoria and New South Wales suggests that households that would normally move into social housing are experiencing exceptionally long waiting periods, with high risk tenants forced to live in marginal housing such as caravan parks and rooming houses. Others obtain private tenancies by committing to pay more than they can afford, with loss of tenancy occurring with changed circumstances such as irregular income or loss of job.

How do other countries enable secure occupancy in rental housing?

Regulating for rental market affordability

One of the most important contributors to secure occupancy in rental accommodation is affordability, which is less of a problem in places such as The Netherlands, Austria and Germany compared to Australia. Regulation of the size and frequency of rent increases for sitting tenants (but not new tenants) assists in sustaining tenancies. Rent increases are indexed and can only occur annually (or less frequently). By contrast, in Australia rent for sitting tenants is set by the market and presently increases can occur up to twice a year.

Size and integration of the rental sector

Provisions for secure occupancy are stronger where rental systems are large, such as in Germany, The Netherlands and Austria, where, respectively, 60, 43 and 30 per cent of households rent. All of these might be categorised as integrated systems, with more uniform policy and regulatory approaches to rental housing. While the latter two prioritise the social rental sector, the German system relies mainly on a private rental system. In these countries, secure occupancy in rental housing has been supported by supply subsidies. By contrast, other jurisdictions (Scotland, Flanders, Ontario, New Jersey and Australia) tend to have highly differentiated systems with strong security in social housing and relatively insecure occupancy in the private rental sector.

Large scale investment and professional management

Countries with large social renting sectors (The Netherlands, Austria, Scotland and Ireland) or higher corporate/institutional investment (Austria, The Netherlands, New Jersey, Ontario and Germany) also have a stronger tradition of professionalised management than in Australia. This enables investor risks to be pooled and decisions about occupancy for individual households to be made at arm's-length from decisions about investment. Germany provides an interesting example, where although there is larger scale investment, most landlords are small-scale but are investing for the longer term, enabling more secure occupancy for tenants.

Legal provisions for secure tenure

There is a range of lease types across the countries studied. The typical practice in Australia of offering short-term fixed leases followed by month to month arrangements was only found elsewhere in Scotland and Ontario. New Jersey also has month to month arrangements, though these renew automatically unless a notice to terminate is given by either party. Other countries have the practice of longer term or unlimited lease terms.

Of the jurisdictions studied, only Scotland compares with Australia in terms of having short-term tenancies that can be terminated readily without grounds. Even jurisdictions like Ontario and New Jersey have specified grounds for ending a private sector tenancy.

Supporting lease terms that meet the long-term needs of householders

Some jurisdictions have also been better at assisting people to personalise their dwelling and use the property according to their wishes, and so improve their autonomy. In the German private rental market, the standard lease provides capacity to personalise or even renovate the house and facilitates access to people with disabilities. These are only found in other jurisdictions on a lease by lease basis.

POLICY IMPLICATIONS

This research suggests there is a need to rethink the role of the rental sector. Policy settings should foster a more integrated rental sector in which there is a range of investment, ownership, and management options, within a regulatory framework that promotes more choices for households who rely on renting. There is also a need for better coordination of the governance, policy, subsidy and legal framework for the Australian rental system than is currently the case. Some ideas for reforms are outlined below.

Investment—More stable and long-term investment in rental housing could be achieved in Australia by encouraging greater private investment in the social rental sector (like Austria and The Netherlands). Alternatively, additional investment could be made in the private rental sector but with mandated specified outcomes (like Germany and New Jersey). Additional government support will be required to enable lower income households to access affordable rental housing. Public subsidies would need to be tied to outcomes such as newly constructed dwellings and affordable rentals.

Management—Professional management appears to provide a better basis for secure occupancy, particularly in regard to lower income and vulnerable households; although the German example shows that strong regulation can also have this effect where there are small 'amateur' landlords.

Regulation—Some changes to regulation could be considered to improve security of occupancy for tenants, including initial tenancy provisions

that can convert into longer term tenancies if successful. Ireland and Flanders provide examples of how this can be achieved.

Housing assistance—Lower income and vulnerable households should be assisted to access and sustain private rental by more coordination of housing support. Enhancing Rent Assistance, as identified in the Henry Review, could also be considered as an option. For best effect, additional rent subsidy (Rent Assistance Plus) would be linked to achieving more secure tenancies.

Cultural attitudes to living in rental housing—Since long-term renting is a reality for increasing numbers of lower income households, there is a need for public debate about the merits of long-term renting. Developing greater public acceptance of long-term renting may be conditional upon a cultural shift in attitudes, but it might also depend upon policy and regulation that build a sustainable rental system which reassure renters about secure occupancy.

FURTHER INFORMATION

This bulletin is based on AHURI project 50565, *Secure occupancy in rental housing: a comparative analysis*.

Reports from this project can be found on the AHURI website: www.ahuri.edu.au or by contacting AHURI Limited on +61 3 9660 2300.

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ACKNOWLEDGMENTS This material was produced with funding from Australian Government and the Australian States and Territories. AHURI Limited acknowledges the financial and other support it has received from the Australian, State and Territory Governments, without which this work would not have been possible.

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